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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,828	07/06/2000	Kurt C. McCracken	12016-002001	5424

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FISH & RICHARDSON PC  
225 FRANKLIN ST  
BOSTON, MA 02110

EXAMINER

CHANG, SABRINA A

ART UNIT PAPER NUMBER

3625

DATE MAILED: 04/01/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

# Office Action Summary

Application No.

09/610,828

Applicant(s)

MCCRACKEN ET AL.

Examiner

Sabrina Chang

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

## Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

## Status

- 1) ☒ Responsive to communication(s) filed on 06 July 2000.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

## Disposition of Claims

- 4) ☒ Claim(s) 1-25 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-25 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

## Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 06 July 2000 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on \_\_\_\_\_ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

## Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- \* See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

## Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) \_\_\_\_\_
- 4) ☐ Interview Summary (PTO-413) Paper No(s). \_\_\_\_\_
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: \_\_\_\_\_

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## DETAILED ACTION

### *Claim Rejections - 35 USC § 101*

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-15 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The invention as recited in the claims is merely an abstract idea that is not within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory subject matter.

### *Claim Rejections - 35 USC § 103*

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-25 are rejected under 35 U.S.C. 103(a) as being unpatentable over the article Roberts et al. U.S. Patent no. 6,292,788 in view of "A REIT's Right Moves/Investment fuels growth of real estate firm" (Louis, Arthur. July 8, 1997. San Francisco Chronicle).

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Roberts et al. discloses the specific operation and execution of Real Estate Investment Trusts (REITs). REITs are generally well known in the art of Real estate transaction as a means of taking advantage of Internal Revenue Code (IRC) § 1031, which permits deferral of taxes on investment real estate by reinvesting in other investment real estate [Col 1, Line 62]. An REIT is a company that buys, sells, manages and develops real estate or real estate mortgages on behalf of its investors [Col 2, Lin 45]. An investor first contributes their real estate property to a partnership owned by the REIT (acquiring properties from investors) and in a tax-deferred exchange receives a number of shares in the REIT (tax-preferred transaction to acquire a predetermined portion of interest in an investment entity) [Col 2, Line 57]. The benefit of the REIT is that it is divisible, providing a steady income stream and requiring a low management effort [Col 2, Line 41].

Louis describes a particular REIT, Bay Apartment Communities, which buys and upgrades distressed residential properties (enhancing the value of at least one of the properties by physical improvements, investment comprises income producing real estate). The company purchases and refurbishes these properties for much less than it would cost to build new ones. Bay Apartment Communities' shareholders are paid in dividends (redeeming interests of investors) generated by rental income from the apartments.

It would have been obvious to modify the REIT to include investment properties of any type, distressed or otherwise – as taught by the article – in order to boost profits by decreasing costs.

In specific reference to claims 1 and 16, the system of Roberts et al./Louis does not provide for disposing of at least one of the properties that falls outside of an investment profile or

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using a disciplined portfolio approach that uses diversification and contingent risk minimization.

The process of managing an investment portfolio by eliminating undesirable assets, in this case property, and minimizing risk, to fulfill an administrator's desired profile is an old and well-

established business practice. The practice is designed to increase the efficiency and profit-

making capability of an investment portfolio and decrease unnecessary risk. It would have been

obvious to one of ordinary skill in the art at the time of the invention to modify the system of

Roberts et al./Louis include the method of disposing of at least one of the properties that falls

outside of the investment profile, which is based upon diversification and contingent risk

minimization, to enhance the performance of the entire portfolio.

In specific reference to claims 3, 5, 6, 12-15, 18, 20, and 21, the system of Roberts et al./Louis does not explicitly disclose that the investment profile comprises:

- Inner-city residential properties
- For which a purchase price for an individual property divided by a total rent obtained from such property is low relative to other properties located in a surrounding area
- Residential rental properties for which rents are below market for a neighborhood proximate to such properties

"Distressed property" is a general real estate term used in reference to any property that is under-performing (rent-wise), dilapidated or generally "undesirable". It would have been obvious to one skilled in the art at the time that the system of Roberts et al./Louis, in comprising "distressed properties", would include the purchase of inner-city residential properties that are under-performing compared to the surrounding market, in order to increase the investment portfolio's profit margin.

In specific reference to claim 16, it was known at the time of the invention that merely providing an automatic means to replace a manual activity which accomplishes the same result is

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not sufficient to distinguish over the prior art, *In re Venner*, 262 F.2d 91, 95, 120 USPQ 193, 194 (CCPA 1958). For example, simply automating or computerizing the management of the investment portfolio gives you just what you would expect from the manual step as shown in the system of Roberts et al./Louis. In other words there is no enhancement found in the claimed step. The claimed addition of a computer system to record and analyze investments held by the investment entity only provides automating the manual activity. The end result is the same as compared to the manual method. A computer can simply iterate the steps faster. The result is the same.

### *Conclusion*

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Austin, U.S. Patent No. 5,950, 175 discloses a data processing system for managing discrete account. Each account dilutes a holder's exposure to the real estate market by exchanging future appreciation of the property for a current cash flow. Austin does not disclose management of an investment portfolio.

Champion et al. U.S. Patent No. 5,126,936 discloses a data processing apparatus and method that controls and implements a goal-directed financial assets management system. Champion et al. does not explicitly disclose management of a real estate investment portfolio.

"The REIT stuff" (Goodkin, Lewis. Dec. 1, 1999. Florida Trend) discloses how REITs operate. The article does not disclose REIT investment portfolios comprising distressed properties.

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"Real estate trusts advance as investors of large buildings" (Holusha, John. Feb. 13, 1998. Journal Record) discloses how REITs operate. The article does not disclose REIT investment portfolios comprising distressed properties.


"Commercial Real Estate/Flood of Cash Boosts REIT Liquidity" (Wax, Alan. Apr. 21, 1997. Newsday) discloses how REITs operate. The article does not disclose REIT investment portfolios comprising distressed properties.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Sabrina Chang whose telephone number is 703 305 4879. The examiner can normally be reached on 8:30 am - 5:30 pm Mon.- Fri..

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins can be reached on 703 308 1344. The fax phone numbers for the organization where this application or proceeding is assigned are 703 305 7687 for regular communications and 703 305 7687 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703 308 1113.

SC  
March 24, 2003

  
WYNN W. COGGINS  
SUPERVISORY PATENT EXAMINER  
TECHNOLOGY CENTER 3600